

NEBRASKA ADMINISTRATIVE CODE

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TITLE 48 - DEPARTMENT OF BANKING AND FINANCE

Chapter 2 - DEFINITIONS

001 GENERAL.

001.01 This Rule has been promulgated pursuant to authority delegated to the Director in Section 8-1120(3) of the Securities Act of Nebraska ("Act").

001.02 The Department has determined that this Rule relating to definitions be applied to Title 48 of the Nebraska Administrative Code, unless otherwise specified therein. This Rule is consistent with investor protection and is in the public interest.

002 DEFINITIONS. The following words and terms shall have the following meanings, unless the context clearly indicates otherwise.

002.01 Adjusted net earnings means the issuer's net earnings and after charges for interest and dividends, adjusted on a pro forma basis to reflect:

002.01A The elimination of any required charges for debt, debt securities, or preferred stock that are to be redeemed or retired from the proceeds derived from the public offering of preferred stock;

002.01B The effect of any acquisitions or capital expenditures that were made by the issuer after its last fiscal year, or which are proposed or required to be made during the current fiscal year, which materially affect the issuer's net earnings;

002.01C The effect of charges or dividends on debt, debt securities, or preferred stock issued after the issuer's last fiscal year;

002.01D The effect of any charges or dividends on debt, debt securities, or preferred stock that were issued during the issuer's last fiscal year, but which were outstanding for only a portion of such fiscal year, as if charges or dividends, such debt, debt securities, or preferred stock had been outstanding for the entire fiscal year; and

002.01E The effect of any other material changes to an issuer's future net earnings.

002.02 Affiliate means a person who, directly or indirectly, controls, is controlled by, or is under common control with the person specified herein.

002.03 Aggregate revenues means the aggregate amount of revenues a promotional or development stage company has received within the last three consecutive fiscal years immediately preceding the public offering plus revenues received during the period covered by any interim period financial information included in the prospectus, excluding revenues from interest and extraordinary items.

002.04 Associate, when used to indicate a relationship with a person, includes:

002.04A Corporations or legal entities, other than the issuer or majority-owned subsidiaries of the issuer, of which a person is an officer, director, partner, or a direct or indirect, legal or beneficial owner of five percent (5%) or more of any class of equity securities;

002.04B Trusts or other estates in which a person has a substantial beneficial interest or for which a person serves as a trustee or in a similar capacity; and

002.04C A person's spouse and relatives, by blood or by marriage, if the person is a promoter of the issuer, its subsidiaries, its affiliates, or its parent.

002.05 Average promotional price means the average per share price paid for promotional shares and other shares issued prior to the public offering which are of the same class of shares being offered in the public offering as determined by reference to the audited financial statements of the issuer included in the prospectus.

002.06 Cash analysis means the issuer's "Net Cash Provided By Operating Activities" as reflected in the Statement of Cash Flows and presented in conformity with generally accepted accounting principles. If debt securities are to be redeemed or retired from the proceeds from the public offering, a pro forma adjustment for the elimination of the related interest charges, net of applicable income taxes, must be made.

002.07 Control means the power to direct or influence the direction of the management or policies of a person, directly or indirectly, through the ownership of voting securities, by contract or otherwise.

002.08 Director means the Director of Banking and Finance of the State of Nebraska, unless otherwise specified.

002.09 Equity securities include shares of common stock or similar securities and convertible securities, warrants, options or rights that may be converted into or exercised to purchase, shares of common stock or similar securities.

002.10 Escrow agent means a financial institution that is domiciled in, and whose principal place of business is located in, the United States and whose deposits are insured by the Federal Deposit Insurance Corporation ("FDIC").

002.10A An escrow agent may not be affiliated with the issuer, its promoters, or associates.

002.10B A financial institution may not be disallowed to act as an escrow agent merely because the issuer, its promoters or associates are customers thereof.

002.11 Impoundment agent means a financial institution that is domiciled in, and whose principal place of business is located in, the United States and whose deposits are insured by the FDIC.

002.12 Independent director means a member of an issuer's board of directors who:

002.12A Is not an officer or employee of the issuer, its subsidiaries, or their affiliates or associates and has not been an officer, or employee of the issuer, its subsidiaries, or their affiliates or associates within the last two years; and

002.12B Is not a promoter as defined in Sections 002.16A, 002.16B, 002.16C2 or 002.16C3 below; and

002.12C Does not have a material business or professional relationship with the issuer or any of its affiliates or associates. For purposes of determining whether or not a business or professional relationship is material, the gross revenue derived by the independent director from the issuer, its affiliates and associates shall be deemed material per se if it exceeds five percent (5%) of the independent director's:

002.12C1 Annual gross revenue, derived from all sources, during either of the last two years; or

002.12C2 Net worth, on a fair market value basis.

002.13 Lock-in agreement means an agreement between an issuer and persons who hold promotional shares wherein those persons agree, as a condition of registration, not to sell, pledge, hypothecate, assign, grant any option for the sale of, or otherwise transfer or dispose of, whether or not for consideration, directly or indirectly, promotional shares and all certificates representing stock dividends, stock splits, recapitalizations, and the like, that are granted to or received by the security holder for the period specified in the lock-in agreement.

002.14 Net earnings means the issuer's after-tax earnings that are derived from its normal operations, exclusive of extraordinary and nonrecurring items, determined according to generally accepted accounting principles, consistently applied.

002.15 Person means an individual, a corporation, a limited liability company, a partnership, an association, a joint-stock company, a trust in which the interests of the beneficiaries are evidenced by a security, an unincorporated organization, a government, or a political subdivision of a government.

002.16 Promoter includes:

002.16A A person who, alone or in conjunction with one or more persons, directly or indirectly, took the initiative in founding or organizing the issuer or controls the issuer;

002.16B A person who, directly or indirectly, receives, as consideration for services and/or property rendered, five percent (5%) or more of any class of the issuer's equity securities or five percent (5%) or more of the proceeds from the sale of any class of the issuer's equity securities;

002.16C A person who:

002.16C1 Is an officer or director for the issuer;

002.16C2 Is the legal or beneficial owner, directly or indirectly, of five percent (5%) or more of any class of the issuer's equity securities; or

002.16C3 Is an affiliate or an associate of a person specified in Section 002.16 above.

002.16D Promoter does not include:

002.16D1 A person who receives securities or proceeds solely as underwriting compensation if that person falls outside the definition of Section 002.16 above, or

002.16D2 An unaffiliated institutional investor, who purchased the issuer's equity securities more than one year prior to the filing date of the issuer's registration statement. An unaffiliated institutional investor, who purchased the issuer's equity securities on an arm's-length basis within one year prior to the filing date of the issuer's registration statement may, at the Director's discretion, be excluded from the definition of promoter.

002.17 Promoters' equity investment means the total of cash and tangible assets that has been contributed by the promoters to the issuer, provided that the value of the tangible assets is accepted by the Director.

002.17A Promoters' contributions of intangible assets may be considered as promoters' equity investment, provided that the value thereof has been accepted by the Director.

002.17B Promoters' equity investment may be adjusted by the issuer's earned surplus immediately prior to the public offering.

002.18 A promotional or development stage company includes an issuer who is not listed on the New York Stock Exchange, the American Stock Exchange or the Nasdaq National Market System, or whose annual net earnings for each of the last two consecutive fiscal years or whose average, annual net earnings for the last five fiscal years prior to the public offering have been less than five percent of the aggregate public offering.

002.19 Promotional shares means equity securities that are to be issued or were issued:

002.19A By an issuer, which is a promotional or development stage company, to promoters for cash or other consideration, including services rendered, patents, copyrights, and other intangibles (provided that the value thereof has been accepted by the Director), that will be or was less than eighty-five percent (85%) of the proposed public offering price; or

002.19B Within three years prior to the filing of the registration statement by an issuer, which is not a promotional or development stage company, to promoters for cash or other consideration, including services rendered, patents, copyrights and other intangibles (provided that the value thereof has been accepted by the Director), that will be or was less than eighty-five percent (85%) of the proposed public offering price.

002.20 Public offering price means the per share price at which a promotional or development stage company proposes to offer equity securities to the public.

002.21 Unaffiliated institutional investor means:

002.21A An unaffiliated bank or unaffiliated savings and loan company;

002.21B An unaffiliated investment company registered under the Investment Company Act of 1940;

002.21C An unaffiliated business development Company as defined in Section 2(a)(48) of the Investment Company Act of 1940;

002.21D An unaffiliated small business investment company licensed by the U.S. Small Business Administration under Section 301 of the Small Business Investment Act of 1958;

002.21E An unaffiliated employee benefit plan, within the meaning of Title I of the Employee Retirement Income Security Act of 1974, and state and local government employees retirement and pension plans;

002.21F An unaffiliated insurance company;

002.21G An unaffiliated trust company;

002.21H An unaffiliated private business development company, as defined in Section 202(a)(22) of the Investment Advisors Act of 1940, or a comparable business entity, that is engaged as a substantial part of its business in the purchase and sale of securities, and which will own less than twenty percent (20%) of the issuer's securities upon completion of the public offering; or

002.21I An unaffiliated qualified purchaser to be defined under the National Securities Markets Improvement Act of 1996.

002.22 Underwriter means any person who has agreed with the issuer or other person on whose behalf a distribution is to be made:

002.22A To purchase securities for distribution;

002.22B To distribute securities for or on behalf of the issuer or other person; or

002.22C To manage or supervise a distribution of securities for or on behalf of the issuer or other person.